

Message Text

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S E C R E T STATE 180765

EXDIS TOSHU 20

FOLLOWING REPEAT KUWAIT 03270 ACTION SECSTATE INFO JIDDA LONDON
TEHRAN SEPTEMBER 10:

QUOTE

S E C R E T KUWAIT 3270

EXDIS

E.O. 11652: GDS
TAGS: ENRG KU
SUBJECT: VIEWS OF KUWAITI MINISTER FINANCE AND OIL RE OIL ISSUES

SUMMARY: KUWAITI MINFIN AND OIL ATEEQI SAYS KUWAIT WILL
ASK FOR 100 PERCENT PARTICIPATION AND OFFER COMPENSATION AT NET
BOOK VALUE. IN RETURN OIL COMPANIES WILL BE OFFERED OIL FOR SALE
AT DISCOUNT. ATEEQI REQUESTED THIS GOK POSITION BE CLOSELY HELD
WITHIN USG. ATEEQI ALSO GAVE HIS VIEWS ON HOW WORLD OIL PICTURE
HAS CHANGED AND HOW THESE CHANGES HAVE DICTATED NEW ARRANGEMENTS
BETWEEN PRODUCERS, CONSUMERS AND COMPANIES. HE SAID GOK WILL
PUSH FOR HIGHER PRICES AT UPCOMING OPEC MEETING. END SUMMARY.

1. IN ORDER CATCH MINFIN AND OIL ATEEQI AFTER RECENT OAPEC MEET-
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ING IN KUWAIT AND BEFORE OPEC MEETING SEPT 15 IN VIENNA, I CALLED

ON HIM SEPT 8 FOR REVIEW OF CURRENT GOK THINKING ON PARTICIPATION AND OTHER OIL MATTERS. FOLLOWING AND ALSO BY SEPTEL IS GIST ATEEQI'S COMMENTS IN ANSWER TO SERIES OF QUESTIONS I PUT TO HIM.

2. PARTICIPATION. ATEEQI SAID SITUATION HAD CHANGED COMPLETELY SINCE GOK RETIFICATION OF PARTICIPATION AGREEMENT BASED ON 25 PER-CENT AND SUBMISSION TO NATIONAL ASSEMBLY LAST FALL. CONCEPTS OF FOREIGN COMPANY OWNERSHIP, CONCESSIONS AND OTHER TRADITIONAL ARRANGEMENTS FOR MOVING OIL FROM WHERE IT WAS IN GROUND TO WHERE IT CONSUMPED HAD PROVED TO BE NO LONGER VALID. FUNDAMENTALS NOW WERE AVAILABILITY OF ADEQUATE SUPPLIES OF PETROLEUM PRODUCTS TO CONSUMERS, RETURN TO PRODUCING COUNTRIES ON THEIR OIL IN RELATION TO (RISING) PRICES OF FINISHED PRODUCTS THEY NEEDED FROM DEVELOPED COUNTRIES, AND RELATIVE ADVANTAGES OF ACQUIRING SURPLUS FUNDS FOR ACCELERATED DEVELOPMENT AT HOME AND INVESTMENT ABROAD VERSUS PRESERVING SUCH "EXCESS OIL" IN GROUND FOR FUTURE.

3. GIVEN THESE CIRCUMSTANCES, ATEEQI SAID, KUWAIT WOULD ASK FOR 100 PERCENT PARTICIPATION -- AND COMPENSATION BASED ON NET BOOK VALUE. HE ASSERTED NET BOOK VALUE BASIS NOT NEARLY AS PAINFUL TO GULF AND BP IN KUWAIT (WHERE COMPANIES HAD BEEN OPERATING FOR 27 YEARS AND HAD RECOVERED THEIR INVESTMENT LONG, LONG AGO) AS IT WAS TO COMPANIES IN LIBYA WHICH HAVE BEEN OPERATING THERE ONLY SEVEN YEARS. IN RETURN KUWAIT WOULD GUARANTEE OIL SUPPLIES TO PRESENT CONSUMERS OF ITS OIL; AND, IN RECOGNITION OF THEIR PAST HELP AND COOPERATION, WOULD SELL OIL TO GULF AND BP AT DISCOUNT. ATEEQI REQUESTED THIS GOK POSITION ON PARTICIPATION BE CLOSELY HELD WITHIN USG.

4. OPEC. ATEEQI CLAIMED TEHRAN PRICING AGREEMENT NO LONGER ADEQUATE, AND KUWAIT WOULD THEREFORE BE PUSHING FOR HIGHER PRICES AT SEPT 15 OPEC MEETING. ESSENTIAL MEASURE OF VALUE, ATEEQI REITERATED, WAS NOT PRICE OF OIL PER SE BUT ITS PURCHASING POWER RELATIVE TO OTHER COMMODITIES. IN FACT OIL SHOULD BE LOOKED AT IN SAME LIGHT AS ANY OTHER COMMODITY IN WORLD TRADE.

5. ATEEQI DWELLED AT SOME LENGTH ON WHAT HE CALLED MORAL ISSUE. OIL PRODUCERS NO MORE MORALLY OBLIGATED TO PROVIDE CONSUMERS WITH ALL THEIR NEEDS THAN CONSUMERS (MOSTLY DEVELOPED COUNTRIES) WERE TO PAY FAIR PRICE AND ASSIST DEVELOPING PRODUCER NATIONS TO UTILIZE SURPLUS
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FUNDS WISELY AND PROFITABLY. KUWAIT HAD ALWAYS HAD EXCELLENT RELATIONS WITH OIL COMPANIES AND CONSUMER NATIONS, AND THERE NO REASON TO BELIEVE THAT CONTINUED COOPERATION WOULD NOT RESULT IN GREATER BENEFITS ALL AROUND IN FUTURE.

6. COMMENT: WOULD BE INTERESTING TO KNOW IF ATEEQI CHECKED HIS POSITION ON PARTICIPATION WITH YAMANI. AM INCLINED THINK HE DID DO SO.
STOLTZFUS

UNQUOTE. RUSH

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